



**TESTIMONY OF
GRIFFIN HOSPITAL
SUBMITTED TO THE
INSURANCE AND REAL ESTATE COMMITTEE
TUESDAY, FEBRUARY 7, 2017**

**PROPOSED SB 23, An Act Requiring Site-Neutral Payments
For Health Care Services**

Griffin Hospital appreciates this opportunity to submit testimony opposing **Proposed SB 23, An Act Requiring Site-Neutral Payments For Health Care Services**.

SB 23 would require payments for the provision of healthcare services by health insurers to healthcare providers to be "site-neutral".

It is our belief that commercial payors would not set site neutral rates at the "average" of current hospital-based service rates and lower free standing service rates. Rather, site-neutral rates would more likely be set at the baseline of free standing service rates with no consideration of the fact that hospital-based services have an inherently higher cost structure due to more comprehensive licensing, accreditation, and regulatory requirements than other care settings and due to the free care and bad debt burden that hospital's shoulder as a result of providing care to all patients regardless of their ability to pay. Furthermore, many free standing facilities choose not to participate in the Medicaid program, thereby shifting under-reimbursed care to hospital-based providers.

With new era value-based care incentives already driving healthcare consumers to "lower cost" providers, hospitals are being motivated to accept lower outpatient service rates but need time to lower operating costs to offset declining revenue resulting from any decrease in rates. Until hospital based providers lower their rates, free standing service providers will have a distinct market advantage.

With the possibility of a large number of Connecticut residents losing their health insurance coverage with the repeal of the Affordable Care Act, imposing site neutral payment would undermine the financial viability of Connecticut's hospitals, which will likely to begin to see their free care and bad debt burden grow to pre-ACA levels.

Hospitals provide 24/7 access to care for all types of patients, serve as a safety net provider for vulnerable populations, and maintain the standby capabilities needed to respond to disasters. These roles are not funded explicitly; instead, they are built into a hospital's overall cost structure and supported by revenues received from providing direct patient care.

SB 23 does not recognize the safety net provider role that Connecticut's hospitals serve or the fact that hospitals rely on a system of cross subsidies to finance the full array of services they are expected to provide.

The Medicare program has set forth specific criteria to determine when the provision of a service is hospital-based and when it is simply a physician office service. When it meets the tests to be hospital-based, the service is entitled to a higher level of Medicare funding, which is accorded in recognition of the fact that the hospital is a more expensive place to deliver care and is held to a higher regulatory standards.

Regulatory Requirements/Roles	Hospital Outpatient Department	Ambulatory Surgery Center	Physician Office
24/7 Standby Capacity for ED Services	✓		
Back up for Complications Occurring in Other Settings	✓		
Disaster Preparedness and Response	✓		
EMTALA Requirements	✓		
Uncompensated Care/Safety Net	✓		
Teaching/Graduate Medical Education	✓		
Special Capabilities (burn, trauma, neonatal, psychiatric services, etc.)	✓		
Required Government Cost Reports	✓		
Equipment Redundancy Requirements	✓		
Stringent Building Codes (ventilation systems, hallway widths, ceiling heights, etc.)	✓		
Infection Control Program	✓	✓	
Quality Assurance Program	✓	✓	
Joint Commission Accreditation	✓	✓	
Life and Fire Safety Codes	✓	✓	✓
Malpractice Insurance	✓	✓	✓
Admin Staff/Billing	✓	✓	✓
Medical Supplies	✓	✓	✓
Nurses	✓	✓	✓
Space and Utilities	✓	✓	✓

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SB 23 could actually increase, not decrease, the overall cost of healthcare if health insurers pay non-hospital-based providers a blend of the current hospital-based rate and free standing rate but not require free standing facilities to comply with all the hospital standards or care for all regardless of their ability to pay. Health insurers know and understand the differences

between provider types, and the appropriate level of funding is properly determined by contract, not by mandate.

SB 23 would result in decreased commercial insurance payments to Connecticut's hospitals at a time when they are currently paying \$438 million per year in net provider taxes to the State of Connecticut. Hospitals have made difficult choices to compensate for the resources lost as a result of government underfunding of the Medicaid program, the hospital tax, and other payment cuts. Over the last few years, 3,000 hospital industry jobs were eliminated, hospital services were reduced, and investments in technology and infrastructure were put on hold. Hospitals can endure no more.

Thank you for your consideration of our position.